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## THE SECOND THREE-YEAR EXPANSION PLAN OF THE CO-OPERATIVE MOVEMENT

By YOSHINOSUKE YAGI

### I

The co-operative societies (*sangyō kumiai*) were not originally intended as organs for the benefit of the farming population exclusively; they were designed to promote the interests of smaller merchants and industrialists and labourers in urban districts also. However, these societies have always been more closely related to agriculture than to any other industry. In fact, having developed in agricultural communities almost exclusively, they are agricultural co-operative societies or farmers' societies, to all intents and purposes. This is because not only are Japanese agricultural communities in dire need of societies of this kind but conditions in them are eminently suited to their growth. Since Japanese co-operative societies thus partake largely of the nature of agricultural societies, it is chiefly in pursuit of its agricultural policy that the Government has hitherto given them guidance and encouragement.

The agricultural crisis of 1929-1930 forced the Japanese agricultural policy to alter its fundamental aim from the increase of production to the regulation of the prices of farm products. Although the agricultural crisis caused a marked decrease in the farmers' incomes through a slump of the market prices of farm products, it was difficult for the Government to take effective measures to reduce farmers' taxes, farm rent and interest payments on debts so that their expenditure might be correspondingly cut down. In such circumstances, the Government was obliged to

resort to the policy of forcing up the prices of farm products to a certain extent in order to avert the bankruptcy of farm economy. This change in agricultural policy added greatly to the importance of co-operative societies as organs responsible for the successful operation of the new price policy. For, the maintenance of the prices of agricultural products at the proper level is possible only by the control of the sales of such products, unless production is controlled, and this control must needs be exercised either by the State or by the farmers themselves. Even in the case of State control, its success depends to a great extent on the voluntary co-operation of agrarian communities, as is evidenced by the example of the Law for the Voluntary Control of Rice. Accordingly, the rôle played by co-operative societies, both in the matter of giving organisation to the sales of agricultural products and in financing the control of sales, has become very important. Moreover, because, after the crisis, the tendency became more pronounced for the accentuation of the so-called scissors movement between the prices of agricultural implements and daily necessities purchased by farmers and the prices of the agricultural products sold by them, in consequence of the expansion of the capitalistic control of various industries other than agriculture---monopolistic industries in particular---, co-operative societies, on which devolved the duty of ensuring the successful operation of the price policy, felt still more keenly the necessity of ensuring the stability of the economic life of the farming population. To this end, they endeavoured, on the one hand, to secure fair prices for agricultural products by the exercise of the power which they had acquired of controlling the sales of such products, while, on the other hand, by restraining capitalists in monopolistic control of industries through the unification of the purchasing power of all farmers, they strove to obtain fair purchase prices for the agricultural implements and daily necessities which farmers have to buy. In this way, the agricultural crisis was the occasion for the birth of a new Japanese agricul-

tural policy, in the execution of which co-operative societies were assigned the leading part, and which aimed, *inter alia*, at the development of these societies.

Moreover in the execution of the programme for the economic revival of agrarian communities, which was launched by the Government in the autumn of 1932 with the object of laying the foundations for the real prosperity of rural districts by removing the fundamental causes of their impoverishment, a very important part was allotted to the co-operative societies as the only organs devoted to the protection of agrarian interests. The policy adopted by the Department of Agriculture and Forestry in directing the activities of co-operative societies for the carrying out of the above-mentioned programme contained the provisions: (1) the position of co-operative societies to be held in special regard in framing and carrying out items relative to economic activities such as sales, purchases, financial accommodation and the utilisation of implements and equipments, which form part of the economic revival programme; (2) care to be taken to see that persons who have a good understanding of the co-operative movement be given as many seats as possible on the local economic revival committees; (3) economic revival plans to be so drawn up that such enterprises, in all branches of local industry and economy, as are covered by the functions of co-operative societies may all be undertaken by these societies; (4) a programme for the expansion of co-operative societies to be laid down; and (5) efforts to be made to awaken co-operative societies to the weightiness of their responsibility for the formulation and the execution of economic revival plans. Again, as the basic policy to be pursued for quickening the activity of co-operative societies in order to attain the above objects, it was laid down that (1) the organs of co-operative societies and their internal organisation should be improved, (2) the inspection of the accounts of co-operative societies should be strictly enforced, (3) more co-operative societies should be established, (4) the farmers generally should be

encouraged to join co-operative societies, (5) the limits of credit for co-operative societies should be extended, (6) the enterprises of the societies should be helped forward, (7) the spirit of the co-operative movement should be fostered and disseminated, and (8) closer ties of contact and co-operation should be forged between co-operative societies and other organisations. In pursuance of this policy, the Government urged co-operative societies to effect reform in their internal organisation, while, on the other hand, it carried out a revision of the Co-operative Societies Law. In this way, the co-operative societies assumed the unprecedentedly important mission of ensuring the successful execution of both the policy for the regulation of the prices of farm products and the programme for the economic revival of agrarian communities. In other words, they assumed the responsibility for the carrying out of Japanese agricultural policy.

Realising the weighty responsibility resting on them, the co-operative societies laid down in the autumn of 1932 a five-year expansion plan for the co-operative movement in order to improve themselves, quantitatively and qualitatively, and they put the plan into execution from January 1st, 1933. The objectives of this plan were (1) to establish co-operative societies which operate enterprises of four kinds, (viz. credit, sales, purchases and utilisation) in all agricultural villages in which they had not yet been organised; (2) to increase the membership of each co-operative society so that all farmers in the district concerned might be brought in; (3) to ensure that co-operative societies should actively operate their four kinds of enterprises and to see that all members make use of these enterprises; (4) to convert co-operative societies from limited liability corporations into guaranteed liability corporations; (5) to see that all co-operative societies act according to directions issued by the central federation; (6) to disseminate co-operative education among the farming population; and (7) to enforce the inspection of the accounts of co-operative societies so as to keep their

affairs in order. Altogether, the plan aimed at the consolidation of the control of agricultural economy through the quantitative and qualitative expansion of the co-operative movement.

This five-year plan of the co-operative movement finished its fourth year in 1936, and is now in its fifth and last year. Although it is thus impossible to make a comprehensive review of the achievements of the plan in the present article, the reader can form a fair idea of what it has so far been done from the figures given in the following table illustrative of the development of co-operative societies since the year 1932.

From the following table, it will be seen that the number of co-operative societies increased from 14,352 at the end of 1932 to 15,460 at the end of 1936, while the number of societies operating the enterprises of four kinds witnessed an increase of 5,334 during the same period, from 4,497 to 9,831. Again, there was a marked increase in the number of societies organised on the guaranteed liability basis, because under the Co-operative Societies Law, revised in September, 1932, limited liability societies in existence had to be converted into either unlimited liability or guaranteed liability corporations within five years of the enforcement of the revised Law. The rate of the entry of farmers into co-operative societies rose from 62.4 per cent. at the end of 1932 to 72.4 per cent. at the end of 1935. The credit, sales, purchases and utilisation businesses of the societies made steady development at the same time. Particularly remarkable was the progress made by their enterprises relating to sales and purchases.

A closer study of the actual state of the co-operative societies, however, shows that among those which have been established since 1933 are many which still require improvement in many respects, if they are to be placed on a secure basis. Besides, there are over 1,000 "inactive" societies and about the same number of "weakly" ones, these constituting vulnerable points in the network of co-operative

	End of 1932	End of 1933	End of 1934	End of 1935	End of 1936	Comparison between end of 1932 and end of 1935 or end of 1936
Total number of co-operative societies	14,352	14,651	14,815	15,028	15,460	(+) 1,108
Total membership	4,978,248	5,238,253	5,505,897	5,795,139	—	(+) 816,891
{ Total number of member farmers (A)	3,523,130	3,693,646	3,874,040	4,060,478	—	(+) 537,348
{ Total number of agricultural families (B)	5,642,509	5,621,535	5,617,486	5,610,607	—	(-) 31,902
Rate of affiliation ( $\frac{A}{B}$ )	62.4	65.7	69.0	72.4	—	(+) 10.0
{ Number of societies engaging in enterprises of four kinds jointly	4,497	6,062	7,206	8,430	9,831	(+) 5,334
{ Percentage of above-mentioned societies to the total number of co-operative societies	31.3	41.4	48.6	56.1	63.5	(+) 32.2
Number of societies classified according to the form of con- stitution						
{ Limited liability	12,968	8,363	5,973	4,499	3,062	(-) 9,906
{ Unlimited liability	990	1,182	971	934	934	(-) 56
{ Guaranteed liability	394	5,106	7,871	9,595	11,464	(+) 11,070
Co-operative enterprises						
{ Total amount of deposits (in ¥1,000)	1,063,164	1,179,132	1,268,021	1,378,319	—	(+) 315,155
{ Value of products sold (in ¥1,000)	202,839	261,399	313,210	376,746	—	(+) 173,925
{ Value of goods purchased (in ¥1,000)	120,111	155,992	196,126	249,296	—	(+) 120,185
{ Utilisation fees (in ¥1,000)	5,731	6,817	8,054	9,465	—	(+) 3,734

The figures in the above table have been taken from the Co-operative Societies Manual for 1935, issued by the Economic Revival Bureau of the Department of Agriculture and Forestry in March, 1937.



societies in the country. Concerning the membership, although there has been a rapid rise of late in the rate of the affiliation of farmers, the actual rate of their entry into the co-operative societies must be lower than the figures given in the above table indicate, as there is reason to believe that in many cases the same members are doubly counted. Moreover, the rate of affiliation varies greatly according to prefectures.\* As regards the societies which operate the enterprises of the stipulated four kinds jointly, although their number has greatly increased lately, it is believed that, as a matter of fact, only half the registered number are actually operating all these enterprises. Even when such societies as are operating enterprises of three kinds (credit, sales and purchases) are counted, the total constitutes only 60 per cent. of the total number of agricultural co-operative societies. It must further be noted that in this regard also there is a singular lack of uniformity between prefectures in the rate of progress. So far as urban co-operative societies are concerned, their progress is as tardy as ever.

In such circumstances, the necessity was keenly felt for improving and expanding co-operative societies, qualitatively and quantitatively, in a really effective way, through the elimination of both their weaknesses and the lame manner of their development, and this led to the formulation of the second three-year expansion plan of the co-operative movement by the Central Federation of the Co-operative Societies. The resolution adopted regarding this second three-year expansion plan at the 32nd Congress of

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\* The prefectures in which the percentage of the membership of co-operative societies to the total number of agricultural families exceeds 90 per cent. are Akita (105.7), Nagano (98.1), Fukuoka (97.0), Tottori (96.0), Toyama (95.7), Shimane (94.6), Kagoshima (92.7), and Shiga (91.4), while those in which it is below 50 per cent. are Okinawa (24.3), Kanagawa (37.5), Ōita (40.6), Tokyo (46.5), Yamanashi (48.0), Kumamoto (48.6), Hokkaido (48.7), Ibaragi (48.8) and Osaka (49.6). For further particulars, see p. 15 of the Co-operative Societies Manual for 1935.

the co-operative societies throughout the country, held at Nagoya, in the latter part of April, 1937, says:—"The five-year expansion plan of the co-operative movement, which was launched in 1933, has now entered on its last year. Under this plan, the co-operative societies have witnessed remarkable expansion and progress, thanks to the co-operation of their 6,000,000 members, and have contributed greatly towards the stabilisation of the national life. In view of the gravity of the situation at home and abroad, the future developments of which permit of no optimism, it is urgent that redoubled efforts should be made to stabilise the national life and foster the national resources with a view to ensuring the prosperity of the State. As the responsibility of the co-operative societies for the attainment of these objects will increase, it is hereby resolved to draw up, on the basis of the achievements of the five-year expansion plan, a second expansion scheme along the lines mentioned below, in order to elevate still higher the position which the co-operative societies occupy in the national economy, so that they can fulfil their mission successfully."

The second three-year expansion plan of the co-operative movement is intended for execution in three years from January, 1938, and its objectives are (1) the improvement and expansion of co-operative societies and the unified operation of the entire system, (2) the extension in scope of the enterprises and their popularisation, (3) the development of urban co-operative societies, (4) the dissemination of the co-operative movement ideas, and (5) the establishment of closer co-operation with other organisations of various kinds.

Let me now study the objectives of the second three-year expansion plan, with due attention to the development so far attained by co-operative societies and also to the objective political and economic circumstances confronting Japan.

## II

In the execution of the second three-year expansion

plan, first and foremost, attention is, of course, directed to the expansion and development of the enterprises undertaken by co-operative societies, but the extent of development aimed at is shown by figures covering only such items as require nation-wide control, and these figures merely denote the objectives set for the last year of the plan. Further, the percentages fixed as embodying the objectives of nation-wide control for individual items are to be regarded as the lowest standards applicable uniformly to all prefectures. By this means, it is intended to promote, as far as possible, the uniform development of all items calling for nation-wide control.

In addition to the statistical objectives of nation-wide control under the three-year expansion plan, the following table gives the results already achieved by the co-operative societies in pursuit of the same objectives, which will help the reader in estimating the difficulty or otherwise attending the attainment of the new objectives.\*

Judging from the degree of progress so far made by the various enterprises of co-operative societies, it is obvious that earnest efforts are required on the part of the office-holders of the societies and their members generally, if the objectives of control are to be attained in the three years from January, 1938. In order to ensure the success of the plan, the central organs of the co-operative societies must strive to gain the objectives fixed for individual items on the basis of a comprehensive programme covering the whole country, while the local federation of co-operative societies in each prefecture must draw up its annual scheme in consonance with the plan of the central organs and also on the basis of the amount of work allotted to it.

Concerning the items other than those which are selected

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\*See the Outline of the Second Three-Year Expansion Plan of the Co-operative Movement in the August (1937) Number of the *Sangyo Kumiai* (Co-operation), issued in July, 1937, in commemoration of the 32nd All-Japan Congress of Co-operative Societies.

Items of work	Objectives	Rate of achievement (in 1935)
(1) Absorption of deposits	Rate of increase:—20% of the aggregate amount of postal savings and deposits in savings banks. 5% or over in the case of the prefectures in which the six big cities are located, however.	The deposits held by credit societies totalled ¥1,378,320,000 at the end of 1935. The postal savings at the end of 1936 stood at ¥3,352,520,000 and the deposits in savings banks at ¥1,842,920,000 so that 20 per cent. of the aggregate of both would be ¥1,039,090,000.
(2) Control of sales	Rice: 40% of the total sales throughout the country.	22.6
	Wheat: 60% of the total sales throughout the country.	31.4
	Cocoons: 40% of the total production of cocoons. (Raw silk and dried cocoons to be calculated on the basis of raw cocoons).	12.3
	Charcoal: 15% of the total production.	9.6
	Eggs: 20% of the total production.	10.0 (in 1934)
(3) Control of purchases	Mandarin oranges: The rate of control in regard to mandarin oranges is still under investigation.	—
	Fertiliser: 60% of the total consumption of artificial fertiliser.	37.6
	Fodder: 35% of the total consumption of fodder.	The total value of fodder handled in 1935 amounted to ¥12,700,000. ¥25.75
Note. The percentage under each item is based on the figures at the end of 1936.		

for nation-wide control, plans for the control of sales and for distribution must be so elaborated as to accord with the conditions prevailing in the districts concerned.

Thus, in order to promote the development of the

various enterprises of co-operative societies, it is necessary for the objectives of control to be fixed for the country as a whole, and then to allot work to all prefectures properly with a view to eliminating any unevenness in the progress of these enterprises in different prefectures. At the same time, the central organs of co-operative societies must collect from unit societies, through the local federations of societies, the necessary reports based both on the actualities of agricultural management and on the actual life of farmers, and form a general and correct estimate of agricultural management and actual farm life with the aid of these reports. In regard to the control of the sales of agricultural products, while giving to the unit societies, through the local federations, such directions as are needed to avert needless inter-regional competition in agricultural production and the marketing of farm produce, these central organs must draw up plans for the distribution of goods for industrial and economic uses and for the absorption of savings in a manner pertinent to the actual requirements and the economic power of individual villages. Although the unevenness existing between prefectures in the development of co-operative enterprises must be eliminated, strictly uniform development of the enterprises of four kinds in all prefectures can hardly be expected, as one prefecture differs from another in climatic and geological conditions, in natural resources, in the form of agricultural management and in economic power. Then what standards should be applied in judging the presence or absence of lameness in the development of the various co-operative enterprises between prefectures---especially in regard to the rate of absorbing savings and the rate of distributing industrial and economic goods? In my opinion, the rational way of removing unevenness in the local development of the co-operative enterprises is to equalise the rates of development in co-operative enterprises for individual villages in the sense that they accord with economic power indices worked out in careful consideration of natural and economic condi-

tions in all prefectures—nay, in all villages. And in order to bring about the elimination of unevenness in this sense, it is important for the control plans of co-operative societies to be drawn up in a way best suited to the actual life of the farmers constituting the membership of unit societies.

### III

The first aim of the second three-year expansion plan is to improve and enlarge the co-operative societies themselves and also to promote the unified operation of the entire system.

The improvement and enlargement aimed at means, in effect, the qualitative and quantitative expansion of the co-operative organisation, and to attain this end, it is proposed that (1) the membership should be substantially increased, (2) the enterprises of four kinds should be carried out vigorously, (3) "inactive" co-operative societies should be properly adjusted or improved, (4) the activity of newly organised societies should be enhanced, and (5) the activity of the agricultural executive societies should be effectually organised.

It is superfluous to say that a substantial increase in membership is necessary for the improvement and enlargement of the co-operative organisation, for only through the affiliation of all farmers to co-operative societies will the all-round economic control of agrarian communities be possible. And it is the active operation of the enterprises of four kinds by individual unit societies that renders this all-round economic control possible. That is to say, by carrying on their credit, sales, purchases, and utilisation enterprises vigorously, co-operative societies can not only give full effect to their functions but can control agricultural economy effectually and properly, since it will bring them into direct connection with the two phases of production and consumption in the economic life of their members. It must, however, be noted that there are many co-operative societies which, though nominally existent, are doing no

business. According to the Report on the work done in the second year of the five-year expansion plan of the co-operative movement, issued by the Central Federation of the Co-operative Societies, these "sleeping societies" constituted, at the end of 1934, 7.5 per cent. of the total in the case of credit societies (including those operating other enterprises additionally), 28.8 per cent. in sales societies, 16.4 per cent. in purchases societies, and 44.7 per cent. in utilisation societies. Although it is conceivable that the number of these sleeping societies has decreased considerably in consequence of the qualitative improvement which has subsequently been effected under the five-year expansion plan, there must still be many societies which may be dubbed "inactive." It is necessary for these inactive societies to lay down and carry out plans for their own regeneration, with the aid of the central organs and local federations of co-operative societies. At the same time, central and local federations of credit societies must supply such inactive societies with the funds requisite for their regeneration. It is also necessary for central and local federations concerned with sales and purchases to co-operate actively in the work of regenerating the inactive societies. As already mentioned, the nation-wide movement for the economic revival of agricultural communities was launched to counteract the effects of the agricultural crisis of 1929-1930, and the onerous duty of carrying out this movement was imposed on the co-operative societies. In the meantime, the co-operative societies laid down the five-year plan for their own expansion. But while a good deal of attention was paid to the quantitative expansion of the co-operative movement, efforts made to improve the constituent societies qualitatively were rather inadequate. Especially since co-operative societies were recognised (under the Law for the Voluntary Control of Rice, enforced from the autumn of last year) as organs that can act as voluntary rice control guilds, very earnest efforts have been made in many districts to set up new co-operative societies or to expand the membership

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of existing co-operative societies. It is undeniable that the Law for the Voluntary Control of Rice contributed greatly towards the quantitative expansion of co-operative societies, but hereafter greater attention must be directed to the qualitative expansion of the newly created societies and of those that have been expanded quantitatively, so that their wholesome activity may be helped forward. Japanese agrarian communities have un-incorporated societies called small agricultural societies, and these supplement the functions of co-operative societies by promoting co-operative action among their members in all branches of agricultural management. These societies, besides handling technical matters connected with agricultural and sericultural improvement, exercise economic functions such as joint purchase of industrial and economic goods and joint marketing of farm produce. According to investigations made at the end of 1931, their number totalled 174,506, with a total membership of 5,347,403. As these small societies consist of the farmers of the same hamlets, there is strong solidarity in their ranks, and it is comparatively easy for them to find suitable persons to manage and control their business. The fact that they are free from official supervision or control appeals to the feelings of farmers, but, on the other hand, many of them are powerless, socially or economically. As they have no stronger organisations to support them, they cannot operate either the joint sales or the joint purchases business really profitably. However, under the revised Co-operative Societies Law, which has been in force since 1932, the way is open for the affiliation of these small societies to co-operative societies, provided they convert themselves into incorporated societies with the official name of agricultural (or sericultural) executive societies. At the end of 1935, the number of agricultural executive societies which had become affiliated to co-operative societies under this Law stood at 11,373 and that of sericultural executive societies at 4,940. This is quite satisfactory, but redoubled efforts must be made hereafter to encourage the entry of



more executive societies into co-operative societies, so that the systematic activity of the societies consisting of fellow-villagers may be promoted and so that co-operative societies may be brought into closer contact with the phase of production in agricultural life.

Besides promoting the improvement and expansion of the co-operative societies in this way, attention must be directed to the unified operation of the entire co-operative system. In regard to the co-operative system, as it is constituted at present, it is noticeable that whereas the unit co-operative societies in individual villages carry on the enterprises of four kinds jointly, local federations are operating these enterprises in different ways. In some prefectures, local federations operate the credit, sales and purchases enterprises conjointly, while in other prefectures, the federations of credit societies and those of sales and purchases societies exist separately. As regards the central federation of co-operative societies, it has separate organs for the operation of the credit, sales, and purchases enterprises. Such being the case, although the organs doing the same kind of co-operative business are linked vertically---as, for instance, the central federation of purchases societies is connected with the prefectural federations of purchases societies, and, through these federations, with the unit co-operative societies in individual villages, so that they can work in close conjunction---horizontal ties of connection are somewhat lacking between the composite parts of the co-operative movement, except in the case of unit co-operative societies which, as already noted, operate the enterprises of four kinds conjointly. This hinders the unified operation of the entire system of co-operative societies. The necessity, therefore, arises of effecting closer conjunction between the federations of credit societies and those of sales and purchases societies in the prefectures where these federations function separately and also between the central treasury, the Zenhanren (All-Japan Federation of Co-operative Sales Societies), the Zenkōren (All-Japan Federation of Co-operative

Purchases Societies) and other central organs of federation. Supposing that the prefectural federation of credit societies rejects the overtures of the prefectural federation of sales societies which asks it for the supply of sales or equipment funds---funds required for the control of sales or for the industrialisation of rural districts---, not because the former is short of funds, but because it regards the business plans of the latter as risky, or supposing that the prefectural federation of sales societies refuses to give positive help to the prefectural federation of purchases societies in the execution of its plans to supply the poor farmers in the prefecture with rice, at moderate prices, for their own consumption in the between-season, such a state of affairs would be deplorable, as it would show a lack of horizontal union between the several enterprises of co-operative societies. The same thing may be said in regard to the central organs of federations.

In connection with the question of the unified operation of the entire system of co-operative societies, the advisability of abolishing the practice now being followed by the prefectural and central federations in undertaking different lines of co-operative enterprises separately, and requiring them to undertake all enterprises conjointly, calls for careful study; but if the present system is to be left as it is now organised, it is at least necessary both to consolidate the Connecting Committee of the central organ of co-operative societies and to set up similar committees in the prefectures in which the prefectural federations of credit societies and those of sales and purchases societies maintain their separate existence. Nor is it necessary to point out here that the unified operation of the entire system of co-operative societies should have for its ultimate object the general prosperity of agricultural management and the enrichment of the livelihood of the members of co-operative societies.

#### IV

The second objective of the third-year expansion plan

of the co-operative movement refers to the extension of the co-operative business and its popularisation. So long as co-operative societies aim at the enrichment and stability of the livelihood of the farmers generally, it is only proper that they should try to bring all farmers into them. The actuality, however, is that although a comparatively large proportion of peasant proprietors are affiliated, few of the small tenant farmers forming the lowest stratum of the farming population have so far joined them. Such being the case, it is contended in some quarters that the development of co-operative societies, though it will serve to stabilise the economic life of middle-class farmers, will rather accentuate the poverty of those who either cannot or will not join these societies. It is, therefore, necessary to secure by all means the entry into co-operative societies, of the poor peasants, who have hitherto remained outside. Not until this has been done will there be any popularisation of co-operative societies. To this end, co-operative societies must be linked to small agricultural societies by encouraging the latter's entry in the form of the incorporated societies referred to above.

The smaller the farm, the smaller will be the quantity of farm produce that the farmer will have left for sale when his farm rent in kind and the amount to be consumed by his own family have been deducted from his total harvest. Consequently, small tenant farmers find it necessary to do something besides their farm work in order to make both ends meet. They must either earn wages or work up natural products in some way in order to increase their incomes. It is, therefore, necessary for co-operative societies to carry on the enterprises of four kinds actively and to see that their members make full use of these undertakings. For the benefit of very poor farmers, the societies must help to promote the industrialisation of rural districts so as to ensure such farmers the means of increasing their incomes. They must further extend their activities to land administration with a view to securing fair conditions of

farm tenancy and fair farm rent for these poor tenant farmers.

Furthermore, there is still much room left for the activity of co-operative societies in the field of social welfare work. That is to say, they can advance the welfare of the farmers by organising and establishing co-operative hospitals, co-operative equipment for the preservation of health, equipment for the relief of victims of disasters, public nurseries in the farming season, public kitchens, public bathhouses, workhouses, circulating libraries and equipment for the amenities of life.

By extending the scope of their undertakings and especially by extending their equipment for the advance of social welfare, co-operative societies can benefit the farmers generally and can expand their memberships, thereby strengthening the co-operative spirit among the farming population. The popularisation of co-operative societies will be achieved only when the co-operative society business has been extended along these lines.

## V

The third and fifth objectives in the second three-year expansion plan of the co-operative movement are the development of urban co-operative societies and the establishment of closer co-operation between organisations of various kinds.

In Japan, there are two kinds of urban co-operative societies: urban credit societies and urban purchases societies (consumers' co-operative societies). The following table shows the development made by each in recent years.

As will be seen from the following table, the progress made by urban co-operative societies in Japan has been very slow. The reason given for striving to develop and expand urban co-operative societies under the second three-year expansion plan of the co-operative movement is as follows: "In the present-day social and economic conditions, small merchants and industrialists, petty salaried men and workers are bound to become more and more depressed economically,

THREE-YEAR EXPANSION PLAN OF CO-OPERATIVE MOVEMENT 37

Years	Urban credit societies			Urban purchases societies		
	Number	Membership (In units of 1,000)	Deposits (In ¥1,000)	Number	Membership (In units of 1,000)	Sales (In ¥1,000)
1932	267	271	160,284	200	189	18,412
1933	262	284	180,517	205	199	22,119
1934	271	300	198,265	213	212	25,762
1935	271	315	217,806	208	222	30,103
1936	269	—	—	—	—	—

The figures in the above table have been taken from the Co-operative Societies Manual, issued by the Department of Agriculture and Forestry, and from the Co-operative Societies Year-Book and the Report on an inquiry into urban purchases societies, issued by the Central Federation of Co-operative Societies.

with their livelihood growing increasingly insecure. Many suggestions may be made as to how to help them out of these economic difficulties, but the most urgent need of the moment is for these citizens of small means to establish their economic organisation on a secure basis. From this point of view, the second expansion plan aims, among other things, at the development of urban co-operative societies such as urban credit societies and urban consumers' co-operative societies, on the one hand, and at their adjustment and expansion, on the other, so as to ensure their all-round development and consolidation."

In order to examine this contention, that the all-round development of urban co-operative societies must be achieved, if merchants and industrialists of limited means, and the small salaried and working classes are to be relieved of insecurity in their livelihood, the position of urban credit societies and that of purchases societies must be considered separately. If urban credit societies are so developed that they can supply small merchants and industrialists and the salaried and working classes with the cheap funds necessary for industrial and economic purposes, it will, no doubt, serve to help forward the industrial interests and promote the stability of the family finances of these people. On the other hand, the all-round development of urban purchases societies, or consumers' co-operative societies, will have the

inevitable effect of eliminating small merchants in urban districts, though it will benefit salaried and working men by the supply of the necessities of life at moderate prices. Seeing that merchants and industrialists are themselves consumers, it is undeniable that they will derive some benefit from membership in these societies, but if their regular business is to be imperilled by the development of consumers' co-operative societies, they will naturally find it difficult to welcome such development.

The direct supply of goods from producer to consumer is the ideal of the co-operative movement, and accordingly, with regard to the supply of agricultural products, it is desirable that this ideal should be achieved through the establishment of close co-operation between agricultural co-operative societies and urban consumers' co-operative societies. From this point of view also, it is necessary to help forward the development of urban consumers' co-operative societies. In view, however, of the present undeveloped state of urban consumers' co-operative societies, with which agricultural sales societies ought to act in co-operation, the latter must perforce for the moment remain organs for rationalising the process of the collection of commodities in the business of supplying agricultural products. In the process of distribution, therefore, there is ample room for co-operation between agricultural sales societies and commercial societies organised by urban merchants of limited means. In actual practice, there will be cases where better results can be obtained by leaving the business of distributing agricultural products in urban districts in the hands of commercial societies. In the execution of the second three-year expansion plan of the co-operative movement, therefore, over-enthusiasm for the all-round development and consolidation of urban co-operative societies should be guarded against lest antagonism or conflict of interests between rural and urban districts should be accentuated. Efforts should rather be directed towards the improvement of the internal organisation of the existing consumers' co-

operative societies. In urban districts, it is advisable for agricultural co-operative societies to act in concert with commercial and industrial societies, organised by merchants and industrialists of limited means, so as to promote mutual welfare and prosperity.

The fifth objective of the second three-year expansion plan of the co-operative movement refers to the establishment of closer connections linking organisations of various kinds. It is understood that this implies *inter alia* the readiness of co-operative societies to co-operate with commercial and industrial societies in urban districts, insofar as such co-operation does not interfere with the exercise by co-operative societies of their proper functions.

Again, in carrying out this fifth objective, closer co-operation must be established between co-operative societies and various kinds of agricultural organisations, agricultural societies (*Nōkai*) especially. Close co-operation is called for between co-operative societies and agricultural societies in regard to the former's sales business and the latter's business of assisting sales. Seeing that there is now a pronounced tendency for wholesalers' organisations (the central wholesale market) in urban districts to amalgamate so that the interests of wholesalers may be protected more efficiently, agricultural interests must, for the protection of their own interests, endeavour to eliminate the promiscuous existence of a variety of sales organs by means of unified control or amalgamation. As to the control of the sales of agricultural products, efforts must be made to unify the sales organs in existence. With this end in view, it should be so arranged that agricultural societies, which were originally designed as organs of technical guidance for agricultural management, should hereafter devote their attention to matters relative to the improvement of the quality of farm produce and the adjustment of production, leaving matters relating to sales solely in the hands of co-operative societies, which are economic organisations. With their fields of activity thus clearly divided, future co-operation

between these two kinds of agrarian organisations should be promoted.

The members of co-operative societies must also be fully educated in the true aims of co-operative societies so that the co-operative spirit may be instilled into their minds. The history of Japanese co-operative societies shows that they were largely ordained by the Government and that their development was due more to official promptings than to the spontaneous efforts of their members. Consequently, notwithstanding the aid given by the State in the shape of exemptions from various taxes and the grant of subsidies, many of them have hitherto shown themselves to be inefficiently managed. Again, Japanese co-operative societies include some which owe their existence solely to official encouragement. In the case of these societies, it is to be expected that their members will gradually lose interest in their societies, as time passes, until they finally deteriorate into "sleeping" societies.

In the days when the Co-operative Societies Law was promulgated, Japan was backward industrially and her small farmers lacked both initiative and the autonomous spirit. Consequently, it was perhaps imperative for the Government to bring them into co-operative societies, to start with, and then proceed to give them the necessary training as members of such societies. This method was not without its drawbacks, however, for the members were apt to lose interest in the enterprises of their societies. It is, therefore, necessary to disseminate co-operative society education so that all members may be kept well trained and become imbued with the co-operative spirit. It is for this reason that the need for the spread of co-operative society education is emphasised in the fourth objective of the second three-year expansion plan of the co-operative movement.

## VI

I have thus far reviewed the various objectives of the second three-year expansion plan of the co-operative move-



ment. Now that everything in the country is being reorganized on quasi-wartime lines, the national economy will have to be placed under State control for the public benefit. As the State control of economics does not mean what is called planned economy, freedom of activity will be recognised in the private enterprises generally, but these enterprises will nevertheless be subject to such State control as is deemed necessary to make them fulfil their public function of contributing to the stability of the national defence and the livelihood of the nation. That is to say, private enterprises will be called upon, not to confine their attention to the pursuit of their own private profits, but to endeavour to supply munitions and the necessities of life at fair prices. In order to meet the requirements of the present national situation, therefore, co-operative societies must, on their part, strive to harmonise their own control with the objectives of State control.

That is to say, with the co-operation of agricultural societies and other organisations, co-operative societies must direct or control the production and consumption of their members in such a way as to maintain or expand agricultural productive power, so that a rise in the prices of agricultural products may be prevented. In the credit business operated by co-operative societies, efforts must be made to ensure the smooth supply of funds to their members in order to enable them to display greater economic activity. In the utilisation business, co-operative societies must see to it that they are amply provided with agricultural implements so that by their wider utilisation the shortage of farm labour caused by the calling-up of farmers may be counter-balanced and productive power may be maintained. In the sales and purchases enterprises, care must be taken to see that the prices of the goods they handle are fixed fairly so as to check a rise in the prices of commodities. In this way they must take an active part in the work of stabilising the national life and strengthening the national defence in a wide sense.